



State of Tennessee

Justin P. Wilson, State Comptroller

For Immediate Release: July 20, 2011

Funding Board Clarifies Debt Policy Requirements

Local governments in Tennessee will no longer be able to employ financial advisors who also underwrite bonds or broker other debt transactions for them, under new policy requirements set to take effect by the end of this year.

Last year, the State Funding Board agreed to require all local governments in Tennessee to adopt debt management policies by Dec. 31, 2011. State Funding Board members also agreed that those policies should include some minimum standards developed by the Comptroller's office that are intended to increase transparency of debt transactions and decrease potential conflicts of interest.

Initially, those minimum standards would have allowed a local government's financial advisor to also serve as its bond underwriter, provided the dual roles were adequately disclosed and certain other conditions were met.

However, since those state standards were developed, the federal Municipal Securities Rulemaking Board placed new restrictions on financial advisors or underwriters serving in more than one capacity in debt transactions.

As a result, the State Funding Board approved the revised minimum standards proposed by Comptroller's staff to adhere to the stricter federal requirements. The updated minimum standards can be found at:

<http://www.comptroller1.state.tn.us/sl/PDF/20110706AttachmentARequirementsREVISEDclean.pdf>

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